

## KEYNOTE ADDRESS

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The questions posed at this colloquium touch on some of the major issues confronting New York City over the next four years and beyond. How we answer these questions will have wide-ranging implications for the future direction of economic development in the City.

From an economic point of view, the role of the Manhattan Borough President is a unique one. Manhattan stands at the core of New York City as a world financial and business center. It is the engine that runs the regional economy. Manhattan is the headquarters of more than sixty of the 500 largest industrial concerns in this country, and 12 of the 50 largest commercial banks. It is also the headquarters of 12 of the 50 biggest diversified financial companies, and 7 of the 50 major retailing companies. It is the home of some of the largest and most active stock markets in the world. It is a Mecca of foreign investment; the first port of call for foreign capital that crosses our shores. Manhattan is also the employment hub of the City. Some 66 percent of all private industry jobs, or approximately 1.9 million positions, are located in this Borough. Manhattan is in the midst of one of the most vigorous economic booms in recent history. Construction levels for commercial office space are at their highest point in more than a decade. Despite the continuous addition of millions of square feet of new space each year, New York City has one of the lowest vacancy rates in the country. Overall, the vacancy rate is slightly more the eight percent, with the midtown rate of 6.9 and a downtown rate of 11.1 percent. Compare these numbers to a national rate of 16.5 percent and local rates as high as 29.4 percent in Fort Lauderdale, 26 percent in Denver, and 23.4 percent in San Diego. In the construction industry itself, the job total has hit an eleven year high, surpassing the 100,000 mark for the first time since 1974. Overall employment figures are equally remarkable. In its recent report on unemployment in 1985, the Bureau of Labor Statistics revealed an average unemployment figure for New York City of 8.1 percent compared to 8.9 percent for 1984; this annual average is the lowest since 1974. Viewed over an extended period of time, the City's job figures are even more impressive. Since 1976, the City has added 315,000 jobs, the strongest period of job growth on record. Two hundred thousand of these new jobs are in the business and related professional services and in the financial sectors.

Employment for residents has also been on the rise. Between 1977 and 1985, the eight year period of economic turn-around, the number of jobs held by residents rose by 167,000. While most of these jobs are situated in Manhattan, in the last two years the other boroughs have begun to share in this pros-

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perity. As Borough President, my decisions on economic development can have a singular impact on the course of this immense machine for productive growth and job creation. I am acutely aware of this heavy responsibility.

At the same time, I bear another tremendous responsibility to pay special attention to the other economy of Manhattan. This economy does not share the glitter of international finance or the tumult of Wall Street, but it is equally important to the residents of this Borough. It is an economy where manufacturing firms that provide entry level jobs for the poor and unskilled are disappearing; where small neighborhood businesses providing essential services to the community are being driven out by skyrocketing rents; and where youth unemployment is more than twice the national average. I wish to devote the remainder of my remarks to the problem of reconciliation of these two economies.

To focus solely on Manhattan's central business districts, while ignoring the manufacturing and small business sectors of our economy, is to follow a path to disaster. At the very time that the City's economy as a whole is thriving, many sectors remain in great difficulty. There is another New York that has not tasted the fruits of this economic boom. While development has brought growth and prosperity to some parts of the City, other areas are being neglected and forgotten. Manufacturing is one case in point. In 1983, manufacturing employment in the City stabilized for the first time since the war. There was even talk in some quarters that the long slide of the last thirty years, which had witnessed a loss of 500,000 jobs, had ended. But the decline continued in 1984 and 1985. The 416,000 persons employed in our factories last December constituted the fewest ever recorded in the 39 year history of the Bureau of Labor Statistics. In the past 18 months alone, 30,000 manufacturing jobs have disappeared.

Another sector being left behind in this period of economic growth is our youth. Youth unemployment has remained a virtually intractable problem. The jobless rates for teen-agers between the ages of 16 and 19 hover at around 31 percent in 1985, compared to a national average of less than 19. Indeed, for minorities, the situation is even worse, with some estimates of minority youth unemployment rising as high as 50 percent.

Both the loss of manufacturing jobs and the high rates of youth unemployment in the face of unprecedented economic growth illustrate a contradiction I face in developing a coherent, rational, and equitable economic development policy for the future. Some experts have labeled this contradiction the "skills mismatch." Simply stated, the notion of a skills mismatch in New York City posits a growing gap between the requirements of an expanding white collar economy and the educational and vocational skills of our youth. According to the Bureau of Labor Statistics, four out of every five new jobs being created in New York City require a minimum of a high school diploma. Yet, 35 percent of all students and close to 70 percent of black and Hispanic pupils who get to the 9th grade never graduate. In the past, being a

drop-out was not the end of the world; there was always a chance of obtaining a blue collar factory job at a decent salary and with the prospect of advancement. Not so today. The precipitous decline of the manufacturing sector has virtually shut the door of opportunity in the face of today's drop-outs.

Another result of the skills mismatch in a white collar economy has been the disproportionate number of new jobs going to commuters rather than to residents. Whether commuters are getting a majority of net new jobs or not, they have benefited extremely well from eight years of New York's prosperity. Because they are, for the most part, better educated and better trained for the professional, technical, and managerial positions created in midtown or on Wall Street, commuters have beaten our students to the punch in the competition for work. According to the 1980 census, commuters constituted twenty percent of all payroll employment in the City; recent figures show, however, that commuters have captured anywhere from thirty-five to fifty percent, and maybe more, of the net new jobs.

These are sobering statistics. It is too simplistic, and too superficial, merely to blame the City's economic contradictions on the skills mismatch. We must instead attempt to answer complex and profound questions: How did this mismatch develop? Why is it that commuters are better educated and better trained? Why are our youth, especially our minority youth, dropping out of school and facing a life of chronic unemployment? In answering these issues we may hope to solve these contradictions, reconcile New York's problems, and thereby provide for the development of New York City's economic future.

In recent years, it has become fashionable to blame the victim for the problems created by society. The conservative researcher, Charles Murray, tells us that the welfare system is chaining people to a future of dependency. Our own president states that poverty and discrimination are figments of our imagination. He argues that these problems would disappear if we only forced the poor to stand on their own two feet and pull up their own weight. But, contrary to these views, poverty and discrimination will not disappear of their own accord. Indeed, these two problems are the root causes of a skills mismatch itself.

When you ignore poverty, it does not go away. It simply grows and festers like any untreated disease. During the presidency of Lyndon B. Johnson, this country made a start in the battle to eradicate poverty. The effort worked to some degree, as the number of Americans living below the poverty line fell from 36 million to 24 million, or from 19 percent to 12 percent of the population. From 1969 to 1980, however, this effort flagged and the number of poor people rose again to 29 million, though the rate of poverty remained constant at 12.9 percent due to the increase in the population in general.

Since the election of Ronald Reagan, the percentage of Americans living in poverty has risen sharply. Huge tax breaks were granted to big business, supposedly to stimulate capital investment. Military expenditures were al-

lowed to skyrocket in the name of national defense. And social programs were slashed in an unsuccessful attempt to eradicate the resulting deficit. The effects of these measures on poverty, coupled with the worst economic depression since the thirties, were predictable. Between 1980 and 1983, the number of poor Americans soared from 29 to 35 million, with the rate of poverty climbing from 12.9 to 15 percent. In three short years, this nation managed to dismantle more than two decades of hard-fought gains.

These national events have not left New York City unaffected. Between 1981 and 1984, the local rate of poverty rose from 20.9 to 23.4 percent. Today, more than 1.7 million New Yorkers live in poverty. Over three hundred thousand of these people live in Manhattan. Even more frightening is the fact that 40 percent of all New York City children live in poverty. This figure may reach 50 percent by the end of this decade. What chance will these children have in the competition for white collar jobs now being created in this City? What chance do they have of staying in school and getting a diploma when poverty has affected so many aspects of their lives?

Compounding the ravages of poverty are the barriers of discrimination. The effects of discrimination on black and Hispanic workers in New York City have been documented in the recent study of minority employment conducted by the Community Service Society. The study drew the following conclusions: between 1978 and 1982, blacks and Hispanics were virtually shut out of the growing service industries in New York. Of the 20 industries that generated the largest employment from 1978 to 1982, whites accounted for 72 percent of the workforce; blacks, 17 percent; and Hispanics only 9 percent. Blacks are concentrated in the health care, social services, banking, insurance, and telephone communications industries. Hispanics are concentrated in hospitals and the production of non-durable goods. Blacks and Hispanics are almost entirely excluded from 130 of 193 industries in the City's private sector.

Blacks and Hispanics are not being hired for the good jobs. By "good" I mean those jobs that pay adequately or are stable and have avenues for advancement. New York's private businesses are becoming increasingly white. In 1982, 59 percent of the City's private industries had a workforce that was at least 70 percent white; between 1978 and 1982 white representation increased in most of these industries. Moreover, blacks and Hispanics are being excluded from higher paying jobs as well.

Poverty and discrimination are major factors contributing to the contradiction between the two economies of New York. What is needed for the remainder of this decade, and into the nineties, is an economic development policy that seeks to reconcile the two economies of New York. The first step in this direction is to re-affirm our commitment to the principle of affirmative action. Discrimination does exist. It cannot be wished away. We cannot pretend, like President Reagan, that discrimination in the economic arena results

from actions of those of us who support a vigorous affirmative action program. Again, that is blaming the victim for the ills of society.

New York City must do more to fight discrimination as a barrier to economic integration and progress. A good example of the City's failure to join this battle is the case of Local 28 of the Sheet Metal Workers against the EEOC.<sup>1</sup> The City, as a party to the *Local 28* case,<sup>2</sup> had the opportunity to make a strong statement in support of the right of all New Yorkers to have an equal opportunity to earn a living and to support their families. The Mayor, however, directed the City's lawyers to reverse their more than ten years' support for the imposition of race-conscious hiring goals on Local 28 because he considered them quotas and against public policy. The Mayor indicated that a lottery would be a much better approach.

The Mayor misunderstands both the legal authority of equal employment laws and their need. Equal employment laws are not academic or theoretical statements. They are the law of the land and they exist to insure that minority group members will be able to overcome racial discrimination and get a job. If a finding of discrimination does not result in a meaningful increase in the number of minority workers employed, the law has failed, and its promise has been denied. The vigorous enforcement of these laws is an essential aspect of this City's fight against discrimination.

It is this fact that makes the Mayor's position unacceptable. The racial discrimination that caused the State of New York to start the action against Local 28 over twenty years ago was not a question of whether or not minority workers would make up ten, twenty, or thirty percent of the union's workforce. It arose from the union's history of total denial of access to blacks and Hispanics. The courts did not start off setting performance goals for minority membership. They initially issued cease and desist orders to the union which, if they had been obeyed, would have resolved the matter without further ado.

It was only after the union reduced the size of its apprentice program and gave special tutoring to the relatives of its white membership to deny access to minority workers that the goals were imposed. The imposition of goals in the Local 28 case is for a limited period of time. It will finally assure fair competition for membership in the union which will not injure any participant, black, Hispanic, or white. For all of these reasons, the Local 28 case was appropriate for the use of goals as a remedy for proven racial discrimination. For the Mayor to join the union and the Reagan Administration in opposition was an unwarranted blow to all of us who support the efforts of minority job seekers to obtain equal access to the work place. Affirmative action is a necessary measure to remedy the effects of past and present discrimination.

The City must likewise resist the efforts of President Reagan to dismantle

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1. *Local 28 Sheet Metal Workers Union v. Equal Employment Opportunity Commission*, 106 S. Ct. 3019 (1986). —Eds.

2. *See id.* at 3026. —Eds.

Executive Order No. 11,246,<sup>3</sup> which requires government contractors to hire and promote blacks, Hispanics, and women in approximate proportion to the number of available qualified black, Hispanic, and female candidates in any given labor market. This program is a proven success and has opened the door to economic opportunity for many who had previously been excluded. In fact, 122 of 128 heads of major corporations polled would continue their affirmative action plans even if the government no longer required goals and timetables.

Evidently, affirmative action means good business in the private sector and so it should in the public sector. It is time for New York City to catch up with New York State and with other urban centers, such as Chicago, Philadelphia, and Baltimore, in its procurement of goods and services, including consulting contracts. Each of these governments set target goals in awarding of agency contracts to minority and female-owned firms. These goals take into account the extent of the participation of minority business enterprise and women's business enterprise firms in each segment of the market. The goals are strictly policed to prevent abuse and fraud. Such a program in New York would channel millions of dollars a year to minority and female-owned firms which are located in the City and which hire primarily City residents.

Secondly, any sound economic development policy must take into account the problem of poverty. The creation of opportunity will cost money. Where will the money come from in this era of Gramm-Rudman-Hollings and huge federal deficits? President Reagan thinks that he has the answer. He proposes privatizing poverty. Get the welfare recipients off the government rolls, he argues, and give them nice private sector jobs at the minimum wage. Three dollars and thirty five cents an hour amounts to six thousand, nine hundred and sixty eight dollars a year, assuming a forty hour week and a fifty-two week year. That is about four thousand dollars shy of the poverty line for a family of four.

What I propose instead is to fund a new war on poverty by trimming a bloated defense budget and closing tax loopholes for the affluent. The funds created by these measures could be used to reduce the deficit. The money could also be used to introduce a truly effective new Federalism whereby states and localities would have the means to eradicate poverty and to train our disadvantaged youth for the new skilled and semi-skilled jobs of the future. These jobs would pay a decent salary and have good prospects for advancement. To cite just a few examples of the impact of such a reordering of priorities, if we were to build one less MX missile, we could eliminate poverty for more than one hundred thousand people. If we were to build nine less B-1 bombers, we could finance the Medicaid costs for women and children living below the poverty line. One day of Reagan's proposed increase in military

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3. Exec. Order No. 11,246 (1965), 3 C.F.R. 567 (1949-1971), *amended by* Exec. Order No. 12,086, 3 C.F.R. 230 (1979).

spending could provide a year of free school lunches for nineteen thousand children.

A third step I would take is to implement measures that would create jobs for New York City residents. It is fiscally more efficient to create jobs for residents in terms of the personal income tax. A person who both works and resides in the City pays a progressive rate that peaks at 4.3 percent. A commuter is only liable for a flat tax of .45 percent of her income. More important, however, is the fact that City residents need jobs. A 1984 unemployment rate of 8.1 percent cannot be ignored. It is time for the City to negotiate jobs for residents in exchange for the numerous tax and land use benefits presently being provided to the private sector.

In addition to these specific proposals, I believe that the City must begin to expand its notion of economic development. The City's present policy is crisis-oriented. It concentrates almost exclusively on ways to provide deals for firms threatening to leave the City. But the City loses, on average, only eight thousand dollars a year due to relocation. While we must continue to offer incentives to keep business in New York, we must also examine other measures aimed at making New York City more competitive. For example, would it not be productive for the City to analyze and focus on those competitively advantageous factors that have created three hundred thousand new payroll positions since 1977?

Certainly one advantage that New York has historically offered is an educational system able to provide prospective employers with a skilled labor force. Today, that educational system is in crisis. Our schools are not preparing students in the basic skills essential for securing jobs in either the public or the private sector. It will take a concerted effort on the part of both sectors to solve the problems that have long plagued our schools. There are a wealth of innovative ideas and programs that could be examined.

One such program is known as the Boston Compact. It is a voluntary contract between government and business in Boston aimed at providing a meaningful job for every high school graduate. When presented with equally qualified job applicants, businesses have agreed to hire the Boston graduate over graduates from outside of that city. The results of this simple program have been stunning. Drop-out rates have declined. Students are staying in school because they are more likely to get a job upon graduation. I would like to take the program one step further in New York to guarantee that the jobs offered would provide real training and opportunities for advancement. Such a measure would provide incentive for students to stay in school.

We still face the problem of the quality of the education students receive in school. Our schools must provide students with the skills necessary to compete in a white collar economy. Students who wish to pursue their education at the college level must be prepared to do so. Raising teachers' salaries, capping class sizes, creating City-funded early education programs, and establish-

ing more vocational and alternative schools, are some of the improvements that I advocate.

As Borough President, I will also appoint one member to the Board of Education. The person I choose will be committed to an educational system that teaches.<sup>4</sup> She will truly believe that our children can learn and will instill that belief in our teachers and in our students.

There are a number of other factors which could make New York City attractive to prospective employers. One such factor is our extensive transportation system, which is also in need of repair. If the City were to focus more attention and resources on improving its services, it would remain an attractive place to do business. The three steps I have just outlined — City procurement from minorities and women, a new and fair Federalism, and the creation of jobs for City residents — are measures aimed at the reconciliation of the two economies of New York. I do not presume to have all the answers. But I am committed to an economic development policy that benefits all sectors of this City. It is not only economically unsound, it is morally wrong to adopt an economic development policy which excludes minorities, women, and youth. We can and must develop a policy that ensures a prosperous future for every New York City resident.

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4. Borough President Dinkins appointed Gwendolyn C. Baker to the Board of Education in June of 1986. N.Y. Times, Oct. 9, 1986, at B1, col 5. —EDS.